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RELIEF TO MUNICIPALITIES

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

FIRST SESSION

ON

S. 1539

A BILL TO AMEND SECTION 13 OF THE FEDERAL RESERVE ACT, AS AMENDED, WITH RESPECT TO REDISCOUNT POWERS OF FEDERAL RESERVE BANKS

MAY 3, 1933

Printed for the use of the Committee on Banking and Currency

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RELIEF TO MUNICIPALITIES

WEDNESDAY, MAY 3, 1933

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met pursuant to call of the chairman in room 301 Senate Office Building at 10:30 a.m., Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman), Gore, Adams, Bankhead, Costigan, Goldsborough, Townsend, Steiwer, and Kean.

Also present: Representative Wilcox.

The committee had under consideration S. 1539, which is here printed in full as follows:

[S. 1539, Seventy-third Congress, first session]

A BILL To amend section 13 of the Federal Reserve Act, as amended, with respect to rediscount powers of Federal Reserve banks

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 13 of the Federal Reserve Act, as amended, is amended by adding after the third paragraph thereof the following new paragraph:

"Until the expiration of two years from the date this paragraph takes effect, the Federal Reserve Board, by the affirmative vote of not less than five members, may authorize any Federal Reserve bank, during such periods as the said Board may determine, at rates established in accordance with the provisions of section 14 (d) of this Act, to discount for any individual, partnership, or corporation (including the public body issuing the same) bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts. All such discounts for individuals, partnerships, or corporations shall be subject to such limitations, restrictions, and regulations as the Federal Reserve Board may prescribe."

The CHAIRMAN. Gentlemen, let us be in order. There are a number of members of this committee engaged in hearings before the Finance and other committees, and we will not be able to have full attendance this morning. I do not know just what these gentlemen wish to present to us, but they asked us to hear them today and we are here for that purpose, and I call on Mayor Curley to state to us what they wish to submit.

Senator GORE. Mr. Chairman, if they are here to make a statement concerning the state of the Union or matters of interest to the public generally, of course, we greet them with courtesy and are glad to hear the suggestions. If they have come here to seek money out of the Treasury of the United States and out of the pockets of the taxpayers of the United States, I want to enter a protest against hearing them. I shall let it go at that, just to make the record.

STATEMENT OF HON. JAMES M. CURLEY, MAYOR OF BOSTON, MASS.

The CHAIRMAN. Now, Mayor Curley, will you proceed?

Mr. CURLEY. Mr. Chairman, I cannot imagine anything that would be more in the nature of an innovation than some representative of any of the various units that go to make up the Government of the United States or the States of the Union appearing in Washington for any other purpose than endeavoring to seek some money out of the Treasury. So far as I have been able to ascertain, following the press, that has been about the purpose of the visit of every one that has come to Washington.

Senator GORE. That is the first visit—they come to get it. Then they come to postpone it. Then they come to cancel it. Yes.

Mr. CURLEY. I want to say, so far as the municipalities of the United States are concerned, that some are in a condition of panic. Already bond obligations have been repudiated in some six States of the Union.

Senator GORE. Do those who have repudiated their bonds want us to lend them further money?

Mr. CURLEY. Well now, if I might perhaps develop that thought just a bit further.

Senator GORE. Yes; go ahead.

Mr. CURLEY. I do not think that question will be necessary.

Senator GORE. Yes. It will be necessary from my standpoint.

Mr. CURLEY. And the movement has developed on the part of the executives and the city governments in many of the cities and a great many of the towns to come to Washington and ask that Washington advance the money with which the cities of the Nation may refinance maturing obligations that they are unable to meet.

I want to say for myself personally that I do not find myself in agreement with the individuals that believe in that new departure for the Nation, and consider it a dangerous procedure.

To the present time some 15 cities, I do not know just how many towns, have been unable to meet their obligations and might be considered as bankrupts. But I do not think that applies to a sufficient number, the possibility applies to a sufficient number, to justify the Federal Government assuming the obligation of meeting sinking fund and interest requirements on bonds that have been issued in more prosperous times by the cities and towns of America.

I do believe that the entire situation can be very well met by a liberalization of the provisions of the Federal Reserve Act and of the R.F.C. Act. Cities or municipalities would apply to all cities in the country. Principally the ones most seriously affected are the industrial cities of a hundred thousand or more inhabitants.

We have had no difficulty in the past in borrowing on short time anticipation notes, for the reason that, while the banks were limited to a purchase of those notes not in excess of 10 percent of their capital, they have no difficulty in reselling those notes. The larger corporations of the United States were large buyers of those notes—the insurance company, the steel company, the Singer Sewing Machine Co., General Motors, General Electric, and all of the others. But of late years, or during the past year and a half or two years, they have been experiencing great difficulty in the resale of those notes.

Senator TOWNSEND. Pardon me, Mahor; would you mind an interruption there?

Mr. CURLEY. No.

Senator TOWNSEND. Have you a definite idea as to how the Federal Reserve should be liberalized in order to carry out your ideas?

Mr. CURLEY. Well, frankly, I have had our entire law department of Boston making a study of it for about 4 weeks, consulting with supposedly eminent authorities in banking and finance of the world, and we have not been able to find anybody that is sufficiently informed with reference to the workings of the law as to how it could be done. I have had just a brief little summary made here. There are two things that we are troubled——

Senator TOWNSEND (interposing). You are familiar with the fact that under the Glass-Steagall bill any bank that does not have eligibles can borrow on anything they have?

Mr. CURLEY. We want the cities to have the privilege to go there and present their tax anticipation warrants and borrow on them, not to the full hundred percent.

Senator TOWNSEND. Instead of borrowing through their own banks in their own cities?

Mr. CURLEY. Where the banks refuse to come to the aid of the cities. For two reasons: First, and perhaps one of the most important reasons, we object to the rate of interest the banks charge at the present time. In most cases they range around 5½ to 6 percent. We believe a fair rate of interest, with the tremendous borrowings that cities are required to make at the present time should not be in excess of 4 percent and nearer 3½.

Senator KEAN. What are you going to do about the United States, that cannot sell its 4 percent bonds?

Mr. CURLEY. Well, I don't know. I would rather have you answer that question.

The CHAIRMAN. Is there any bill pending before this committee to which you want to address yourself?

Mr. CURLEY. I do not think there is any bill pending before the committee. Perhaps I could explain it a little better briefly by saying——

Senator GORE (interposing). Senator Wagner had a bill the other day that contained a position of that sort.

The CHAIRMAN. S. 1539 was introduced by Senator Wagner. Have you seen that?

Mr. CURLEY. No. In ordinary times we borrow in our own city, which is a city of 800,000 inhabitants and one of the best conducted cities in the country, naturally, about 22 to 25 millions of dollars, but along comes this extraordinary condition and we are confronted with tax delinquencies, the inability of the taxpayer to meet his obligations, and while we have been able without a forced sale of real estate for nonpayment of taxes to collect up to the present time 80 percent of our 1932 taxes, it is pretty much the same all over the country.

Senator GORE. What is the amount of your annual budget?

Mr. CURLEY. Our annual budget is about $76,000,000.

Senator GORE. Does that exclude or include the interest and service on your sinking fund and debts?

Mr. CURLEY. Yes. It would include everything.

Senator GORE. Sinking fund?

Mr. CURLEY. Yes, sir.

Senator GORE. How much of that would represent sinking fund and interest on your debts?

Mr. CURLEY. Our interest and sinking-fund requirement is somewhere in the neighborhood of about $7,000,000.

Senator GORE. How much of that $76,000,000 would represent appropriations made for relief work and help of the poor?

Mr. CURLEY. For relief work we expended in 1932 $12,000,000, and under soldiers' relief we expended about $600,000. Our soldiers' relief this year, owing to the new legislation for the soldiers that the Federal Government adopted, we figure on spending about a million three hundred thousand, or a hundred percent increase. In other words, the Federal Government divested itself of that obligation and loaded it upon the cities and towns.

Senator TOWNSEND. Then we are running around in a circle?

Mr. CURLEY. Exactly.

Senator TOWNSEND. The cities and towns are coming back to the Government again?

Mr. CURLEY. Yes, sir; exactly.

Senator TOWNSEND. And we are simply running around in a circle.

Senator GORE. Here is what will happen——

Mr. CURLEY (interposing). I think our relief requirements this year for public welfare, unless conditions considerably improve—and there is some indication they are improving—will run in the neighborhood of about 13½ millions of dollars.

Senator GORE. What is your budget covering your civil establishment, the municipal government and its functions, excluding service on your debt and these extra charges for relief?

Mr. CURLEY. The school budget is about 16½ millions of dollars. In 1930 it was $21,000,000. We brought it down from 21 to 16½. The municipal departments direct will be about $37,000,000 this year. They were about $41,000,000 in 1930. We have been doing just the same as most American cities. We have been economizing, practicing efficiency. We have been taking men off the rolls where they work 6 days a week, give him a fair return, put him on the rolls where he does 2 days a week work and gets an average of about $15 a week for the family.

Senator GORE. Now on this soldiers' bonus, it is not in point exactly, but you will find later on that the Federal Government will resume that burden but the city will never get rid of it.

Mr. CURLEY. Well, perhaps we were a little more patriotic than most American cities. Shortly after the war we enacted a law in Massachusetts under the provisions of which every city and town in the State is required to provide employment for an ex-service man, and in the event of the city or town being unable to provide employment they are required to furnish that individual and his family with a minimum of $30 a month and maximum of $125 a month.

Senator GORE. Do you know what that aggregate is for the State?

Mr. CURLEY. In normal times that would be in the neighborhood of 2½ millions of dollars, and with the obligation of the soldier passed back upon the cities and towns it would be in the neighborhood of about $5,000,000 for the coming year 1933.

Senator GORE. Excuse me for interrupting you.

Mr. CURLEY. That is all right, sir.

The CHAIRMAN. Let me get a bearing here. There is a bill before this committee that provides:

> Until the expiration of 2 years from the date this paragraph takes effect, the Federal Reserve Board, by the affirmative vote of not less than 5 members, may authorize any Federal Reserve bank, during such periods as the said Board may determine, at rates established in accordance with the provisions of section 14 (d) of this act, to discount for any individual, partnership, or corporation (including the public body issuing the same) bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding 6 months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts.

Is that the kind of bill that you have in mind? I do not want you to commit yourself unless you are prepared to do so.

Mr. CURLEY. I should say that that bill is all right. The only trouble is I am fearful that the limitation is too severe of 6 months.

For example, now, on our 1930 taxes, out of a total levy of 76 million we have not more than about perhaps 400,000 outstanding. On our 1931 taxes, out of a similar levy we have not more than about a million three hundred thousand outstanding. On our 1932 taxes we have about 13½ million outstanding, or less than about 20 percent. The average of the entire United States is not in excess at the present time of about 27½ percent, or 2 percent. I think if that limit were extended to make it a period of 2 years, so as to cover the period of depression, we would be all right, and for this reason——

Senator KEAN (interposing). You cannot, Mr. Mayor, extend it for 2 years.

Mr. CURLEY. Perhaps if I——

Senator KEAN (interposing). Because that would lock up your Federal Reserve banks so that they would absolutely be frozen.

Mr. CURLEY. No. I will tell you why. Supposing that there was a proviso in there for the earmarking of the money as it came in. Now, for example, in 1932 we required 8 millions of dollars to complete our financial program on account of the $12,000,000 that we were obliged to pay for public-welfare requirements. We borrow that $80,000,000 from the local banks, and we agree to earmark the money, to pay back 3½ million dollars of that on the 15th of May and pay 3½ million dollars more on the 15th of July, and the balance about the 1st of September. The 1st of May of this year we notified the bank that we had about $3,800,000 on hand, and we were prepared to pay that 15 days ahead. We earmarked that money that came in.

Suppose that the same proviso is there, that the money be earmarked, be used for no other purpose than meeting the obligation of paying the Federal Government. The Federal Government would be getting a continual flow of money in.

Now, so far as security is concerned, that is not any more sound security in the whole world than the tax anticipation notes of a municipality. They represent every dollar of value in the community. They represent the power to tax and to take in money, and in addition to that I think it is absolutely necessary.

Now we have a mistaken notion—in fact, the mayors themselves have had it—as to the volume of money that would be required to

meet this situation. To take care of the 97 American cities with a population of 100,000 or more the total requirements on short-term obligations for the entire year would be only about $300,000,000. It would not be in excess of that.

Senator GORE. How much?

Mr. CURLEY. Three hundred millions.

Senator KEAN. Mr. Mayor——

Mr. CURLEY. Yes, sir.

Senator KEAN. In regard to the Federal Reserve banks limiting their discounts to practically 4 months; I mean to say that 4 months paper is the limit they are allowed to discount under the law at the present time; isn't it true that some of these tax receipts that are levied against certain pieces of property will never be collected? That assessment goes on year after year, and in a very short time you sell the property for the amount of the tax receipt against it.

Mr. CURLEY. That is true.

Senator KEAN. Therefore, if you keep that as cash borrowed here, the Federal Government would never receive that money?

Mr. CURLEY. The Federal Government would get the money. In nearly every State there is a proviso for the sale of properties for unpaid taxes within a period of 2 years.

Senator KEAN. Yes.

Mr. CURLEY. And under ordinary times you would never have any difficulty in selling what they call tax-title warrants or tax-title deeds. We have been fearful, in our own city, and I assume they have in a great many American cities, of holding a tax sale of property for unpaid taxes. We have been fearful that we might be obliged to go into the real-estate business on a wholesale scale. That is to say, there would be no tax title unless that were done, because there is no means of determining the value of real estate anywhere today, and we might find ourselves loaded down, and so we have adopted the other alternative of endeavoring to force collection by every reasonable means, and we have been very successful.

Senator TOWNSEND. Mayor Curley, have you thought of the relief that you might be able to benefit from through the Wagner bill, which is now in conference, of $500,000,000 for the States and of course coming through the State down to your city?

Mr. CURLEY. I have a realization of that.

Senator TOWNSEND. Don't you figure you can be able to get the relief through that source?

Senator GORE. But that is only a half billion.

Senator TOWNSEND. I say, it is 500,000,000.

Mr. CURLEY. I say I think there would be some relief. There would not be any question about that. But I do not think it would meet this situation.

Senator GORE. I think this ought to be added to what Senator Kean said, the fact that a great many people overlook, that the Federal Reserve banks are credit institutions to finance production, trade, and commerce, and not fiscal agencies to finance even the Federal Government, much less States, counties, cities, and towns.

Now, Mr. Chairman—pardon me, Mr. Mayor—I have got to go to the Finance Committee, and I want to make excuses. I want to oblige the mayor, who is a very good friend of mine, but I want to say this, that my parent feeling has always been due to the fact that I

have taken a great deal of interest and great deal of pride in the New England town; I think it is the heart and soul of our American life; it is the source of our free institutions; it is the cornerstone of our entire system of government; but I feel that when they come here, those towns and cities, to ask money at the hands of the Federal Government it is just a deadly blow to the system. Not only that—it is an admission that they are dead, and they will never rise, and I am going to bid you good day.

Mr. CURLEY. Let me say a word to you, Senator.

Senator GORE. Yes.

Mr. CURLEY. Forty-one States of the Union have made an application for money to the Federal Government out of the original 300 million. Massachusetts has not made application from the 500 million yet.

Senator GORE. My feeling is not limited to States. I think the whole system is not only a fundamental but a fatal mistake.

Mr. CURLEY. So this situation applies not only to ours but the other progressive cities of the West that are broke.

The CHAIRMAN. All right, Mr. Mayor; you will proceed now with your statement. We will try to let you go on without any interruption.

Mr. CURLEY. All right, Senator. I really believe that some relief must be provided. We are endeavoring, of course, to develop new sources of revenue. This meeting should be addressed at the present time by Mayor Murphy, of Detroit. Mayor Murphy, of Detroit, was appointed Governor General of the Philippine Islands, and my name was submitted for Ambassador to Poland. I refused to go to Poland. Murphy went to the Philippines. I was the first vice president of the Mayors' Club. So I became the ambassador from the American cities to the Congress of the United States, and he became the Governor General of the Philippine Islands. So I am here in that capacity today, sir.

I am here today so far as the American cities are concerned in that capacity, and it is an organization serving as a clearing house to aid the cities in finding a way out of the difficulties that appear almost insurmountable. We have had plans before us that I should hesitate to present to this committee asking aid of every conceivable character.

I believe that the city should, so far as possible, adopt a spirit of self-reliance and develop agencies for increasing their revenues, institute economies, and in every way endeavor to meet the situation. We are advising the cities as to how best it can be done, and with some measure of success. In our own State we have legislation pending at the present time and that I believe will be adopted by the legislature providing for a slight increase in the income tax for the taxing of wealth that escaped taxation, something in the nature of a sales tax on a small scale, and for certain other economies that will be a real relief to us.

We have opportunity under the $500,000,000 Wagner bill to come in and ask for a reasonable measure of aid there. But this particular situation applies in the case of every municipality in the entire country: They find it impossible to dispose of the short-term obligations. The assessors start out the 1st of April of each year to assess property. It covers a period of about 6 weeks. Their books are made up. Their tax bills are sent out about the 1st day of October, and money

begins to flow in about the 15th of October, and as the money comes in they pay the obligations represented by money that has been borrowed on short-term notes for a period of 9 months.

So that the cities of the United States are required to live on borrowed money for a period of 9 months annually.

I contend, of course, it is a wrong system, but it is the system that has been in operation. It is the system that has worked fairly admirably until the period of the depression came along about 1931. Along in 1932 the banks were in difficulties, and being in difficulties they found it impossible to dispose of the short-term notes because the business houses were in difficulties, and the business houses who formerly purchased those short-term notes were not in the market for them. Then, of course, they found that under the law they could not buy more than 10 percent of the total capitalization of the banks in the community, with the result unless they had a resale of them they could get no resale market and the 10 percent represented only about perhaps one third or one fourth of the requirements that were necessary for the operation of the municipalities of the United States. In ordinary times we would require about 20 to 22 millions of dollars. This year we estimate we require about $57,000,000 in borrowed money to conduct the activities of the city, even with the exercise of every reasonable and sane economy that it is possible to practice.

Now, as it is in the case of our city, so it is in the case of pretty much every American city. We are really not badly off. We are all right. We have had a little money in reserve and we have money from sources that we could tap, so that we have been able to float along all right and probably will continue to.

But you take it in the case of Cleveland, you take it in the case of Detroit, you take it in the case of other American cities, important cities, where the banking situation is not as good as it might be and where outside agencies that have purchased these short-time notes are no longer purchasing these short-time notes, and where a little cloud perhaps rests on a great many of the municipalities due to the failure of certain ones to meet their obligations and getting the municipality into a condition bordering on bankruptcy.

So we just come down here and we ask that the law be liberalized, that the period of repayment be extended from 4 months or 6 months to at least 2 years, and in answer to the question as to the security we contend that the tax anticipation warrants of any city are the soundest possible character of security.

As regards the ability to pay: The past history of 50 years in the case of the leading municipalities of the United States shows that the amount uncollected is rarely in excess of 2 percent after a period of 2 years. I think I am pretty near right on that.

So that from the standpoint of collection, from the standpoint of the character of the security itself, I believe it is the best conceivable character of security upon which to advance money, and I believe that something must be done. We came to Washington a year ago and asked President Hoover for 300 millions of dollars to save the people of the cities from starvation during the winter of 1932 and 1933. We came this year and asked for additional funds, and now we come to ask that the cities be saved from bankruptcy.

It was the desire of certain of the mayors to ask that Congress, in addition to giving us a larger borrowing market, advance funds

so the cities might refund maturing bonded indebtedness. We do not approve of that. We believe that they should practice self-reliance to a certain degree, and we do feel that if they are allowed to do what they have been permitted to do and what conditions have permitted them to do in the past, it will neet the entire situation.

Senator TOWNSEND. Mayor, you consider these tax anticipation warrants to be self-liquidating, do you not?

Mr. CURLEY. I do; yes, sir.

Senator TOWNSEND. Then why can you not get relief through the Reconstruction Finance Commission?

Mr. CURLEY. Well, I do not really know. As I said before, I have had some good lawyesr digging into it, and I have not found one that can interpret the law today.

Senator GOLDSBOROUGH. Then as I gather your position, it is that you are in favor of this as an emergency measure, but that as a general principle you would not favor it, but owing to the depression abroad in the land, the banking conditions, you think that this bill ought to be favorably looked upon?

Mr. CURLEY. I think you have got to get legislation.

Senator GOLDSBOROUGH. You want a 2-year extension?

Mr. CURLEY. I think it ought to be 2 years. There is a chart there that shows that the total of short-time borrowings over a period of 5 year by all of the cities of the United States was only a billion dollars.

(A table submitted by Mr. Curley is as follows:)

A Decade of Municipal Financing

Sales, by months (revised to date), of both long- and short-term bonds of States and municipalities in the United States and bonds of United States Territories and insular possessions and municipalities therein during the past 10 years

PERMANENT (LONG-TERM) LOANS

	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
January	$84,257,358	$121,373,155	$75,050,121	$174,675,400	$103,198,601	$73,350,988	$92,184,189	$49,977,375	$135,154,300	$86,118,256
February	103,682,135	78,332,406	146,457,032	72,881,284	132,724,920	88,752,985	78,780,823	119,585,688	35,310,411	32,859,540
March	103,134,539	110,489,694	117,631,739	92,095,518	132,897,209	109,055,715	127,025,127	179,443,460	57,696,113	
April	132,967,416	106,961,731	117,502,867	124,507,899	129,980,083	97,343,510	146,445,384	166,094,307	85,395,908	
May	120,240,607	138,642,130	141,005,381	210,208,010	141,213,105	102,108,393	152,096,089	120,335,513	85,588,430	
June	295,507,401	144,668,215	146,693,332	86,298,248	75,885,799	86,745,310	111,587,098	85,327,461	30,361,804	
July	122,774,095	121,401,513	87,405,513	88,873,050	78,444,748	80,415,394	98,513,949	75,618,044	47,598,408	
August	92,580,822	121,427,752	135,128,647	116,311,420	70,170,409	100,257,083	79,578,341	119,141,903	82,737,419	
September	96,075,710	84,774,505	105,076,241	124,759,386	98,233,298	122,346,113	158,380,496	18,292,743	67,177,795	
October	120,243,926	71,522,706	71,725,702	105,067,010	173,824,090	65,974,063	93,961,794	54,321,756	47,726,263	
November	73,600,315	166,272,700	147,246,926	117,903,228	116,140,540	286,517,056	97,708,253	40,244,431	165,167,272	
December										
Total	1,446,688,968	1,404,702,240	1,362,037,801	1,477,709,824	1,389,818,717	1,442,381,438	1,382,570,539	1,251,771,394	936,855,060	118,977,796
Number of issues	7,201	7,536	7,078	7,748	7,253	6,184	5,914	4,490	3,093	309

TEMPORARY (SHORT-TERM) LOANS

January	$50,376,940	$53,375,000	$79,824,000	$30,476,000	$73,319,521	$114,675,000	$96,779,000	$81,697,000	$111,017,717	$105,173,039
February	60,791,000	57,620,000	23,866,000	121,866,500	113,388,500	71,749,300	81,724,388	238,685,500	100,756,940	60,385,916
March	82,337,000	90,638,000	122,301,070	67,501,178	75,530,292	55,411,400	102,040,000	64,979,312	174,945,345	
April	78,733,000	96,837,000	72,747,500	67,252,000	78,501,200	106,141,500	93,615,000	194,778,000	145,586,420	
May	60,778,000	38,505,000	38,332,782	18,209,940	44,630,685	48,109,164	60,745,790	300,892,000	126,884,500	
June	52,391,000	65,495,024	65,831,206	26,283,122	57,014,000	59,321,000	153,067,500	45,601,870	48,032,440	
July	78,353,000	33,030,843	41,837,000	38,085,000	63,543,000	86,163,966	26,406,000	91,521,977	74,308,300	
August	129,036,747	76,118,000	54,613,000	73,098,222	73,419,002	95,977,704	76,500,333	104,120,000	81,888,115	
September	126,375,410	93,465,000	42,074,812	60,561,000	82,552,000	90,505,000	81,222,000	50,121,959	28,928,000	
October	130,970,500	39,826,505	11,882,000	26,575,000	14,496,425	74,187,180	80,422,000	74,625,020	40,390,000	
November	36,983,155	141,731,744	70,148,500	44,247,679	26,183,000	50,623,977	76,531,000	83,142,000	145,590,000	
December										
Total	979,030,732	866,061,013	661,210,870	624,872,483	716,792,625	920,982,191	932,121,721	1,086,765,138	1,002,066,907	171,558,955
Number of issues	535	620	547	564	623	508	747	867	1,015	212
Grand total	$2,425,709,745	$2,270,763,253	$2,023,248,671	$2,102,642,307	$2,106,611,342	$2,363,363,629	$2,334,992,260	$2,338,536,532	$2,028,921,967	$290,536,751
All issues	7,736	8,356	7,625	8,312	7,856	6,781	6,661	5,346	4,108	581

Compiled by the Daily Bond Buyer of New York.

Mr. Curley. And here is a very comprehensive booklet showing that the total that is anticipated will be necessary for the 97 cities of 100,000 or more inhabitants for the remainder of the year would be only 300 millions of dollars. It is not a very great obligation and it prevents national bankruptcy.

The Chairman. The booklet will be filed with committee.

Now, let me ask you, Mr. Mayor. Have you had occasion to consider the bill introduced in the House by Congressman Wilcox, H.R. 5267? They have had hearings in the House on that bill and the committee there is considering it. It is entitled:

To amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

It is a bill which contemplates insolvency condition of the municipalities where they are not able to meet their interest and have defaulted on their bonds, to give them a chance to get into the court and compromise it and settle their debts. Have you had occasion to look at that?

Mr. Curley. I may say, Mr. Chairman, that I spent 3 hours yesterday trying to read through all the material they gave me with reference to this particular proposition, and I have come to this conclusion, that I do not find myself in agreement with certain other mayors with reference to the bankruptcy bill for cities. As I understand it, the Wilcox bill provides that any city that is already in bankruptcy; it does not make provision for other cities that may go into bankruptcy, does it?

Congressman Wilcox. Yes, sir.

Mr. Curley. Does it?

The Chairman. Congressman Wilcox is here and can explain that to you.

Mr. Curley. So far as I can see, I think your bill is all right, sir.

Congressman Wilcox. I wish you would tell the Massachusetts Representatives that.

Mr. Curley. You cannot tell them very much of anything. I wish there was some way that we might get the stigma of possible bankruptcy off of American cities.

Congressman Wilcox. Yes.

Mr. Curley. It interferes with our borrowing of money, and, taken by and large, they really are not in such a bad way as they might be when you consider the duration of the depression and the tremendous number of unemployed and the restriction in income of the cities. To the present time I do not believe there have been more than about 15 cities that have gone into bankruptcy, so to speak, and they have been among the smaller cities. There has not been any real large city. They have avoided it.

I think if this legislation that you have presented here is adopted with a 2-year proviso we will forget about bankruptcy. We will save the American cities from possible bankruptcy, and we will start upon a road in keeping with the course that has been followed by the people of the United States in every crisis as well as in every period of prosperity in the history of the country.

You spoke about the other feature. Just one word on that that I might say. Under section 14 (b) of the Federal Reserve Act—this is a memorandum given me by the city treasurer after a 3 weeks' study

of the law department, and I do not know whether it represents anything or not—the Federal Reserve Bank of Boston has authority to purchase tax-anticipation notes due in not exceeding 6 months, with the following limitations, except with the approval of the Federal Reserve Board.

(a) Shall not purchase or hold in excess of 25 percent of total outstanding notes of any one municipality.

Boston has outstanding $19,000,000, and 25 percent of that is $4,750,000.

(b) Shall not own in warrants of all kinds more than 10 percent of deposits by its member banks.

Total deposits April 5, 1933, were $126,682,000. So the limit of all warrants is $12,668,000.

(c) Shall not own of any single municipality over 5 percent of deposits by its member banks. The limit of Boston notes $6,334,000.

It therefore appears that the Federal reserve bank could purchase $4,750,000 of Boston notes and by action of the Federal Reserve Board in suspending certain limitations now placed on tax-anticipation warrants and notes further purchases could be made.

If they could be granted authority to make further purchases and if the time of payment were extended to 2 years, I think it would be a real relief and a very greatly needed relief for all of the cities of the United States.

Then in addition to that, sir, if the cities were allowed to do business direct with the Federal Reserve rather than through some of the local banks, we might be able to bring the interest rate down from the present usurious rate of 6 percent and 5½ percent to something that would be a little more reasonable, say, 3 or 3½ percent. Ordinarily we have borrowed money, prior to 1930 we borrowed every dollar of it, at not in excess of about 2 percent, and we have paid for money on deposit, both active and inactive accounts, 2 to 2½ percent. So that the interest payment the city received on money it had deposited in banks was about equivalent to the amount that it paid for money borrowed on short-term notes.

During the last year the city has received from one quarter of 1 percent to one half of 1 percent on money on deposit in the banks. They raised it to 1 percent here about 3 months ago. But when we wanted to borrow money they asked us 5 and 6 percent.

Now, it does not seem to be quite a fair proposition. If we could get a little competition I am inclined to believe we would bring down that interest rate. And when you figure $300,000,000 of interest for the entire United States and a saving of 2 percent on that interest is equivalent to a saving of about $6,000,000 for the cities and towns of the country, it is quite a little saving and it is worth making.

The CHAIRMAN. The R. F. C. has to pay about 4 percent for its money. I do not see how you could expect them to loan it for 3 or 3½.

Mr. CURLEY. We would rather pay them 4 than to pay the banks 6.

I think Mayor Hoan perhaps has given a little more intimate study to that. I have been projected into this thing almost over night and perhaps am not as well versed as he might be.

Senator STEIWER. Before you resume your chair, Mayor, I wanted to ask you one question.

Mr. CURLEY. Yes.

Senator STEIWER. Did I understand you to say a while ago that Boston up to now had been collecting about 80 percent of the tax levy of the city?

Mr. CURLEY. We have 80 percent of 1932's collected now, sir. We have only 20 percent outstanding. But in former years about this time we probably would be on our 1932 taxes in the neighborhood of about 91 percent.

Senator STEIWER. So that your situation is worse so far as tax receipts is concerned?

Mr. CURLEY. Yes.

Senator STEIWER. By about 11 percent?

Mr. CURLEY. I should say so; yes.

Senator STEIWER. And does that in itself account for your financial difficulties?

Mr. CURLEY. No; not wholly.

Senator STEIWER. Would you have financial difficulties if the taxes had been paid on the normal basis of 91 percent, we will say, as against the present basis of 80 percent?

Mr. CURLEY. We would still have our difficulties.

Senator STEIWER. And what would they be? That is what I want to find out.

Mr. CURLEY. For this reason: Nearly every city in the United States does business on borrowed money for 9 months of the year. We have never had any difficulty in borrowing the money on short-term notes until the last 2 years, and our difficulty in the last 2 years has been because of the inability of the banks to find customers to take those notes. The bankruptcy bill is designed, I understand, to take care of certain cities, and in addition to that the fact that the large corporation who has bought those notes, including the insurance companies, need their money to take care of their own requirements. There is no market.

Senator STEIWER. In plain language, your difficulties over and above the abnormal delinquency, which is approximately 11 percent, come from your inability to have the credit that you formerly enjoyed?

Mr. CURLEY. That is all it is. The inability to sell your short-term notes. That is all it is. If we could sell those——

Senator STEIWER (interposing). Now, then, suppose your credit difficulties could be fixed up, either by Congress or through the effort of your State legislature or some other way. What can the city do with reference to the deficiency, the money deficiency that comes from this 11 percent abnormal delinquency in tax collection? What are you going to do about that? In other words, isn't that going to affect your credit?

Mr. CURLEY. No.

Senator STEIWER. If you can not take care of that?

Mr. CURLEY. I do not think so. For this reason——

Senator STEIWER (interposing): Let me put it just a little differently yet. Isn't that 11 percent delinquency in taxation translated into unsoundness in city finance?

Mr. CURLEY. It would be, and it has to be overcome. So far as we are concerned——

Senator STEIWER (interposing). Isn't that one reason why your credit suffers?

Mr. CURLEY. No.

Senator STEIWER. You think not?

Mr. CURLEY. The credit is injured, yes; to some extent. We have offset it in the case of our city by putting in operation for the first time a reduction in wages, and the reduction in wages is——

Senator STEIWER (interposing). What is that reduction?

Mr. CURLEY. Reduction—5 percent on all persons receiving a thousand a year or less; 10 percent between a thousand and 16 hundred; 15 percent above 16 hundred. That will bring into the city about $5,300,000.

Senator STEIWER. That is, it will save the expenditure of that much?

Mr. CURLEY. Yes, sir. And in addition to that the other economies that we have effected will represent about $3,000,000 additional So that we are offsetting the delinquencies, so to speak, of 1932; and then of course through the State legislation that we have aided in drafting we figure on offsetting about somewhere—we ended the year with an uncollected of about 17 millions. We have reduced that down to about thirteen four since December 31. In reducing the salaries we announced that there was no way to justify a failure to reduce so long as that tax was so low at the end of the year with that deficit. Certainly, unless conditions materially improved, the deficit might increase perhaps 25 percent or 50 percent in 1933. So we put the reduction into effect, and the reduction along with other economies will be sufficient to offset the deficiency for 1932.

The CHAIRMAN. Was that by decreasing your tax assessments, valuations, and rates?

Mr. CURLEY. I have had the misfortune to come in every time they have had a depression, as mayor, in the 4-year term. I came in in 1914 and we had that depression in 1915. I came in in 1921; we had the depression in 1922. So this was the third, and I was prepared for it when I came in.

We have not had an increase in valuation in the business district on properties in a period of 5 years. In the residential district there has been only one slight increase in a period of 25 years. But nevertheless, real estate has no value today. You cannot determine value any more than you can on a watch. You can go out and buy a watch today for a third or fourth, and I can set my own price on a watch. You can own anything, own real estate.

So we started in to bring about a 25 percent reduction in valuation of properties in the city covering a period of 6 years by reducing at the rate of 75 million a year, and we followed that consistently since 1930. So that with a valuation of $1,980,000,000 at the end of 6 years would bring that down to less than a billion and a half.

Senator STEIWER. How much, by the way, is this 11 percent abnormal delinquency that we have been talking about? What does it amount to in dollars?

Mr. CURLEY. What does it amount to? About 17 million dollars. You see, we entered the year, we were obliged to borrow 8 millions of dollars to balance our books at the end of the year. We earmarked the money that we borrowed, agreed to pay it on certain dates, and we are now paying it before the date of maturity when it is coming in in taxes.

They are still paying taxes, but of course the real trouble of most cities, in fact all of the cities, is that there are few cities that dare hold a sale of properties for unpaid taxes, because if they did they would go in the real-estate business.

The CHAIRMAN. They would have to buy in the property?

Mr. CURLEY. Yes, they would have to buy it in themselves. Still could not pay the taxes.

The CHAIRMAN. All right; thank you very much. Now Mayor Hoan.

STATEMENT OF HON. DANIEL W. HOAN, MAYOR OF MILWAUKEE, WIS.

Mr. HOAN. I am Daniel W. Hoan, mayor of Milwaukee. Gentlemen, if there is any other way humanly possible for the cities to meet their present crises besides coming here and asking for this legislation—I am sure I can speak for all of the mayors—we are prepared to do it. But we are face to face with the fact that we cannot collect taxes. Boston apparently is much better off than other cities in deinquency. It is the first time I have heard of a city only 11 percent off. Our taxes were 46 percent unpaid in January, and we allowed an extension for 6 months of the city share of the taxes, and we expect to be about 40 percent delinquent. I think the average of cities is pretty close to 35 or 40 this year. That does affect our credit, absolutely, our ability to pay.

So this survey we have, we haven't the authority to speak publicly for these cities, but we have a personal accounting here from all of the cities, virtually over a hundred thousand population, and of these cities some can still borrow slightly from banks, but out of the 93 cities 60 are in a position of either defaulting on the bonds, close down absolutely necessary departments, and in many cases both, and if means are provided by which we can borrow, our city, for example, does not administer the relief, the county does; we do not want any grant; we are not asking for any. If we can get money on 10 percent paper either from the banks or the Reconstruction Finance Corporation to tide over this particular crisis, we are not asking for any grants or gifts of any kind whatsoever.

Now, speaking for all the mayors—we were unanimously in favor of this at our meeting of about 50 of us here about 2 months ago—speaking for all of the mayors on this proposition, we know of no other way out. We are face to face with utter financial collapse. We believe that that will immediately affect bank credit, financial credit throughout the Nation, and it can be avoided absolutely by providing a reasonable means anyway by which we can borrow money at reasonable rates. There is no such rate. The banks cannot meet it. Milwaukee, for instance; we have not borrowed a penny from the banks up to now this year, not a cent. We have even set aside our money and earmarked it for our bond requirements in July or bonds that we own. However, we have had to go without 2 pay days, and in July we will collect six or seven million dollars that will tide us off.

We have even provided for the issue of a baby bond that we will sell to the public, a bond, by the way, under our enabling act 5 percent so-called note or baby bond, based on these tax warrants. And if the Reconstruction Finance Corporation, or whoever is authorized, can see, find out, or put us to the task of getting rid of those securities, if we can do it and market them at home, we are not interested in any loan or grant from the Federal Government.

I will say if everybody in our city could pay taxes and will pay up their taxes, we would be able to finance the city throughout the year on a cash basis for the first time in history. As to the collection of these taxes, every known thing is being done in our city to collect them. First of all, the city has purchased these certificates. We have interviewed every taxpayer who has not paid. One of the great difficulties, of course, is the building and loans cannot provide money even for taxes. Moratorium banks have got peoples' money tied up, cannot pay their taxes. We are in the situation of where it means—well, we will pay our bonds this year. We have to close up the police department or fire department, but, much as we do not want to do that sort of thing, we have got to find a way to get by. For the first time in history here is a city, for instance, the city of Milwaukee, which is on a cash basis. If taxes are paid up, we can do that.

We have been working up a fund to retire all our bonds, amortization fund that will wipe out all our bonds. We are reputed to have had the best credit of any city in our country. We have had some hotel bonds, mercantile bonds. We would like to dispose of them and invest our money in our own tax certificates. But we have been advised that there is no market, and we have been advised not to try to market those bonds in Milwaukee.

I was informed reliably by our secretary last night that the city of Buffalo and county claimed the best off of any city in this country—absolutely has no market for its bonds today, its gilt-edged bonds.

Now, if anything, a tax warrant is even better security than a bond. It is a first lien on the property. It entitles you to take possession in the shape of a tax deed, and the only other alternative we have, unless we can borrow money, is to take these tax certificates and take tax deeds and try to sell peoples' property. We would be in the real-estate business for fair, in fact.

I trust that the committee will have the time to look through the report of the various cities; that 60 of them cannot borrow. That is the report. Sixty of the largest cities in this country cannot borrow a nickel anywhere. They are faced with this frightful tax-delinquency problem.

The CHAIRMAN. I understand that you wish this report be reported as confidential and not be put in the record?

Mr. HOAN. Yes, sir; confidential so far as these particular cities are concerned, because we have not had authority to make it public.

The CHAIRMAN. Yes.

Mr. HOAN. It is confidential information for the committee, and if a method is provided through the Federal Reserve banks or through the Finance Corporation, we will act as agents. The tax warrants can be put on the property for the Federal Government and be required to set aside the money as it is paid in on these tax certificates in a trust fund or in a bank, to be delivered to whoever loan us the money, as it is paid in.

During the whole history of Milwaukee we have lost on this kind of paper only $188,000, and we would be perfectly willing to deposit a sufficient amount of tax certificates in excess of any possible default, so as to absolutely guarantee the return of that money. It has got to be paid back, because clean titles cannot be acquired of these properties until the money is paid.

And so I do not want to repeat anything that has been said. You gentlemen are busy. But that is the situation. We will call upon Mayor Walmsley to say a few words.

The CHAIRMAN. We are much obliged, Mr. Mayor.

STATEMENT OF HON. THOMAS SEMMES WALMSLEY, MAYOR OF NEW ORLEANS, LA.

The CHAIRMAN. Mayor Walmsley, of New Orleans.

Mr. WALMSLEY. Gentlemen, I first want to state that I was the commissioner of public finances of the city of New Orleans for 4 years before I was elected mayor, and I have had some dealings with the Federal Reserve bank and with the Reconstruction Finance Corporation. I first went to the Reconstruction Finance Corporation in an effort to see if they could not take our tax anticipation, with the belief that it was a self-liquidating project; for that reason it could be read under that interpretation. I was informed that the self-liquidating project on which they could lend direct to municipalities simply applied to construction work and did not apply to financing in general. I say that because there was a Senator sitting here that has left the meeting who was under the impression that the Reconstruction Finance was able to take care of this, and this was, in his opinion, a self-liquidating process.

We have been borrowing from the banks in New Orleans our full requirement; had up until the national-bank holiday a fiscal agency contract with the five banks there which took care of our full 100 percent requirements. Since then three of the banks have not been able to reopen.

We are financed at the present time on the basis of 36 percent of our requirements. While we have reduced our operating expenses and salaries 19 percent, we still have quite a lapse there between the two.

I took the matter up with Secretary Woodin, who informed me to get in touch with the local Federal Reserve. I met the Federal Reserve bank locally and got them to extend the period on which our tax anticipation notes could be used as collateral by the member banks, so that today they are extending the city's note, and they in turn have extended their credit. In other words, 1932 tax anticipation notes are still carried by that bank by us extending the delinquency or the due date of the note. They have stated that they will be as liberal as they can, but that they feel that they cannot continue under the present law, and of course cannot lend us direct.

Now, it seems that this bill S. 1539 is designed to do two things which the Federal Reserve cannot do at the present time. One is to lend direct to municipalities, and second, it fixes the date on which it becomes due under the law, whereas at the present time the Federal Reserve can lend us as long as the paper is not delinquent, and this may be an automatic delinquency in 6 months.

It is a known fact that under the constitution of our State we are forced to borrow the money in anticipation of our taxes from a fiscal agency that has been set up. Then we are permitted to retire that money ratably to the various agencies that have loaned us that money. So when that money comes in it is put in a retirement fund segregated from all the rest of the funds of our city, and then we pay that back to the banks that have been acting as our fiscal agency ratably with the percentage at which they have their contract, and in turn they pay and reduce the notes that the Federal Reserve have.

Some of the banks after they have taken that paper back from the Federal Reserve have rediscounted that same paper with the R.F.C.

Now we are simply asking this, that the municipalities be permitted to borrow direct on the same paper which is now eligible for rediscount through member banks. That is all we are asking.

And why are we doing that? We are doing that because the banks themselves are not in a position to extend or use their facilities and make them available to the city. If they did, we would not be here at all today. We would simply say we would go through the regular channel we have been going.

The CHAIRMAN. What do the banks charge you? Would you save anything?

Mr. WALMSLEY. Yes, sir; we would. We would save. We are paying at the present time 5½ percent on current loans and 6 percent on loans over 1 year. If we sent direct to the Federal Reserve we would probably get it, I think, for 4 or 4½ percent. They would make something, of course. But the R.F.C., I think, charge 5 percent on paper of that kind. We would still save a half of 1 percent on current loans and a whole percent on delinquent loans.

In other words, the act that Senator Wagner has here, if the delinquency date were taken out, leaving it to the discretion of those local Federal boards, who know the conditions of the communities there. They might say to one community: Well, we won't lend you over a certain period, because you are making no effort to collect your taxes. And he may say to another one that is frugal and is making a real effort to give a sound business administration: Well now, under those circumstances we feel that you ought to have more than 6 months. We will extend you 3 months more. I think that is something in a period of emergency that should be left to the discretion of those local boards, but put a maximum date of 2 years so that they would have no discretion after that.

In other words, you want to make it definite and positive that the governments that have charge of the administration of the collection of these taxes comply with the laws and exercise their full powers and demand the collection from the taxpayer within the time fixed within which the tax lien will apply, and that in most cases is 3 years. In our case it is 3, but 2 will be satisfactory to us.

Senator STEIWER. Do you assume that the Federal Reserve banks will loan to your city or discount the anticipation warrants if power is given to them under this act and if the Federal Reserve Board by an affirmative vote of five will permit it to be done?

Mr. WALMSLEY. I believe they will do it, so far as our city is concerned. I do not believe they will do it so far as every city is concerned. I believe they will go into the government of every city to determine whether or not it would be a good loan.

Senator STEIWER. What if they do not do it? You will not gain anything at all?

Mr. WALMSLEY. We would not have gained anything.

Senator STEIWER. In other words, this loan is merely permissive?

Mr. WALMSLEY. This is a permissive law. This is all it is.

Senator STEIWER. And if the Federal Reserve Board by an affirmative vote of five would permit the Federal Reserve banks to discount the tax-anticipation warrants, it is still entirely discretionary with the Federal Reserve banks as to whether they will discount the warrants?

Mr. WALMSLEY. Yes, sir; and that is all this is now.

The CHAIRMAN. What are your requirements now? How much accommodation would you need or expect?

Mr. WALMSLEY. As far as the city of New Orleans is concerned $4,000,000 for this year, sir.

I might say that our experience has been that we have been collecting 99½ percent on our real estate taxes. We lose as a gross over the past history taken for a 10-year period less than 2 percent, personal, real estate, license taxes, and all taxes all told.

Just to show you what has been the history in the past, the surplus collateral or the excess collateral that our fiscal agency banks have had for these tax-anticipation notes, in 1930 there was an excess of collateral of a total of 203,374 against a total loan of $8,000,000, and in 1931 there was a total excess of 260,000 for approximately the same amount. In 1932 that had been reduced to where they had a $34,000 surplus.

Now, in this year, anticipating hard times and everything else, we set up an exceptionally large reserve, but with all the reserves and everything else, that does not help us out, because we cannot pay our pay rolls, we cannot pay our fire department, we cannot pay our police department, because we cannot get the money from the normal agencies with which we have always paid those people off; that is, our fiscal agency bank. It is not that we haven't got the good collateral.

And the position that I take and the position that the bankers in our section are taking is just this: That we have better collateral than the corporations that are now getting money through the Reconstruction Finance Corporation. They are surer of being paid off by the cities of New Orleans and Boston and Chicago and cities of that kind than they are in some of the corporations that have been loaned. It is a direct pledge. It is a collateral that is very much better than, let us say, the railroads of the country. I do not think there is anyone who will gainsay that fact. Because taxes come even ahead of the loan that the R.F.C. has made to those very corporations.

The CHAIRMAN. Are any of your bonds in default now?

Mr. WALMSLEY. No, sir. And we have on deposit in our banks sufficient money to meet all our retirement and interest for July, sir; already, and we have sufficient money to take care of part of our next January requirements. But that is a specially dedicated fund that, of course, we cannot spend otherwise.

Senator STEIWER. Can you tell anything as to the progress made with the New York and Louisiana banks?

Mr. WALMSLEY. It has been very, very slow. We have been hoping that the two—Canal and Hibernia—would probably open in the next few days. But I have been informed by those banks that one

bank I cannot anticipate any cooperation or participation in the fiscal agency contract because of the amount of public paper that they have already in their portfolio which they are carrying over from their old banks. Of course, it was a large bank before, with some 56 million dollars of deposits. While it will probably open up on a reduced capital, it will be about a 3-million-dollar bank, and no one knows what the deposits will be.

Senator STEIWER. When you say the city has on deposit money sufficient to meet certain obligations or commitments, you mean you have that on deposit in institutions so far not open?

Mr. WALMSLEY. No, sir. I mean to say that we have actual cash, amply secured in every way, cash right there in institutions that are open.

Senator STEIWER. I see. And were your deposits in the closed banks bonded?

Mr. WALMSLEY. Oh, yes, sir; we will work out whole with the closed banks. We will not lose anything in the Canal and Hibernia. The probabilities are that in the Interstate we may lose ten or fifteen thousand dollars due to shrinkage of collateral. We do not anticipate losing any more.

But the thing that I want to impress principally is that our municipalities, if we cannot pay our police, if we cannot pay our firemen, we are going to break down the backbone of the country insofar as local governments are concerned.

In this community, when I left New Orleans there was a demonstration on the part of unemployed men, and certainly the police had to handle the situation. There was no wild disturbance. It was orderly, but it was a demonstration which of course had to be handled by the police in seeing that the demonstration was orderly. Now if these police are not paid, why, we cannot expect them to have the same zest about their work as they have if they are paid. They had better join the ranks of the unemployed and get payments through direct relief, and they would be better off than they would be working the other way. This is simply going to mean that if we cannot get this money there is going to be an increased burden on the ranks of the unemployed, because it is not fair to work these people and not pay them. As a matter of fact, unemployed men that are getting direct relief are now getting work relief through the agencies which the Government now sets up and are getting more than our garbage collectors in pay, who are paid a dollar a day, because we can pay only 36 percent of the normal wage and they are getting $1.50 the other way. That is exactly the situation.

The CHAIRMAN. Are your taxes coming in?

Mr. WALMSLEY. Yes, sir. We, of course, just like every other city, are experiencing some delay, but we do not anticipate anything other than a temporary embarrassment, and that is the reason why I think that if this act were passed making it effective for 2 years—and this only makes it authority for the Federal Reserve to loan us for a period of 2 years either—you notice that is the way this reads. I believe in that period we would adjust ourselves so that we would be back on a normal basis.

It has been suggested that if we should get the authority to borrow up to 75 percent of tax anticipation notes for 1933—I mean now speaking of all of the cities when I say that, through the memorandum just handed to me by our President—and the authority to borrow up to 50 percent of the outstanding tax delinquencies, those are the two propositions that we believe could be provided for, that and the 2-year maximum for the time for repayment, simply letting the Federal Reserve and the R.F.C. handle it, feeling it should be done that way. We think the Federal Reserve can handle it better, giving them the discretion to loan and to handle all the details of negotiation, fixing the maximum time for the repayment at 2 years, and that under those circumstances you will be giving relief that not only will be beneficial to the cities, but that will assist in reducing the amount of unemployment. It will assist in keeping money in circulation and tend to relieve distressed conditions. Because these pay rolls of communities do mean a great thing to the little merchant and the grocer and every man in business in these communities, a lot of money that is put into circulation. Whereas, if it is stifled it just means a tightening up of credit lines throughout your entire community.

We feel that, inasmuch as the backbone of defense of this entire inflation program practically rests right with the local communities, we are asking for something that is going to give you more direct relief than almost anything else that has been done. We think that if we do not get it we are liable to have a collapse of government that it is going to be very, very difficult to overcome, because if the local governments collapse I do not know just exactly what could be done to meet the situation. Few of the States have constabularies where they can send them into the municipalities and handle that situation. I know they do not have them in Southern States. Therefore, the police in all of our Southern States are handled entirely by the municipalities.

Senator STEIWER. Mr. Mayor, am I right in assuming this, that if this permissive authority were created it would bring an adequate relief to the stronger municipalities but it would still leave, would it not, a certain percentage of cities that would not be able to borrow or to discount any warrants with the Federal reserve institutions?

Mr. WALMSLEY. I believe that every city could, if it readjusted its own condition on an economical basis; yes, sir. And that is one reason I want to make it permissive, not mandatory, because if you leave it wide open and mandatory you are going to have municipalities that are not entitled to credit getting it at the expense of the Government.

Senator STEIWER. Congress could not make it mandatory if it wanted to.

Mr. WALMSLEY. Well, I don't think it could, sir.

Mr. HOAN. I just wanted to asy that I am not sure whether you made it plain that at our general conference we favored both borrowing from the Reconstruction Finance and the Federal Reserve.

Mr. WALMSLEY. Yes, sir.

Mr. HOAN. That is the permissive law.

Mr. WALMSLEY. Yes, sir. That is exactly what I have tried to convey, that this was a bill that was now introduced, and we feel that we can get relief from this right now, and we do believe that Congress could likewise take and give us the same authority through the R.F.C., whereas, coming right back to your question, let me answer it another way: The Federal Reserve that handles it at a lower rate

of interest might say that we do not feel that we ought to handle that, because the rate of interest that you want to pay and what we have to go through is not sufficient. You go over to the R.F.C., and you are going to have to go through a lot of reorganization. As a matter of fact, there are some cities that I have seen in my opinion will have to do a decided lot of overhauling internally, and I believe that that could be successfully accomplished by saying: You can only get your money when you do these things. Duplications of departments and things of that kind where an efficient department of the R.F.C. could tell you very frankly: We are not going to pay for duplications of departments where you can cut it down, say, 15 percent. After you do that you can come back to us and we will be very glad to help you.

The CHAIRMAN. That is a good thing to do, is it not?

Mr. WALMSLEY. Yes, sir; and I think it is a correct thing to do.

The CHAIRMAN. We are very much obliged, Mr. Mayor. Does that close the hearing?

Mr. CURLEY. There is just one thought I would like to leave with the committee, and that is this, that I am inclined to believe that if this permissive authority were granted it might cause the banks to loosen up just a little and help out, where they are not inclined to do it at the present time. I think that it would be a very powerful weapon and very helpful.

Senator STEIWER. May I ask about the exhibits that Mayor Curley offered, whether they were in the record?

The CHAIRMAN. He does not want them to get into the record.

Senator STEIWER. They will not be in the record but available for use?

The CHAIRMAN. They are offered for the information of the committee but are confidential. The committee can have access to them at any time.

Mr. CURLEY. Thank you very much, Mr. Chairman.

The CHAIRMAN. All right, Mr. Mayor. We are much obliged to you all.

(Whereupon, at 11:37 a.m., the committee adjourned, to meet at the call of the chairman.)

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